

PUBLIC DISCLOSURE

AUGUST 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EASTON CO-OPERATIVE BANK

**275 WASHINGTON STREET
NORTH EASTON, MA 02356**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of EASTON CO-OPERATIVE BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The bank's overall rating of Satisfactory is a result of the analysis of the bank's performance in the five criteria shown in this report. The bank's loan-to-deposit ratio has averaged 65.2% for the period September 30, 1997, to June 30, 1999. The average ratio has shown an increase from 60.9% at the April 16, 1998 FDIC examination and is considered to meet the standards for satisfactory performance. A review of the bank's residential mortgage loans from January 1, 1998, through year-to-date July 30, 1999, revealed that a majority of loans were originated within the bank's assessment area. A review of loans to borrowers of different income levels revealed a good dispersion among all levels including low and moderate-income. With respect to the geographic distribution performance criteria, loans are well distributed through the three census tracts located in Easton. The fair lending examination revealed no evidence of discriminatory acts or practices.

PERFORMANCE CONTEXT

Description of Institution

Easton Co-operative Bank is a state-chartered mutually owned co-operative bank, incorporated under the laws of the Commonwealth of Massachusetts in 1889 to serve the various savings and credit needs of individuals, businesses, and organizations in the community. As of June 30, 1999, the bank had total assets of approximately \$55 million, 59.7% of which were in the form of loans.

The composition of the bank's loan portfolio consists of fixed and adjustable rate mortgage loans (this category accounts for the majority of the loan portfolio), construction loans, home improvement loans, home equity lines of credit, new and used automobile loans, various consumer loans and commercial loans. Refer to the following table for the distribution of the bank's loan portfolio.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	23,307	70.9
Secured by Nonfarm, Nonresidential Properties	2,518	7.7
Equity Lines of Credit Consumer	559	1.7
Construction and Land Development	768	2.3
Consumer Loans	5,499	16.7
Commercial and Industrial	232	0.7
Total Gross Loans	32,883	100.0%

Source: June 30, 1999 FDIC Call Report.

The bank is headquartered at 275 Washington Street, North Easton and maintains a full service office at 507 Foundry Street, North Easton. The main office has an Automated Teller Machine (ATM) and is tied to the Cirrus, X-Press 24, and NYCE networks. Bank customers may use ATM cards at other X-Press 24 locations without a transaction fee. Hours of operation are convenient and include extended hours on Thursday at the main office and Friday at the branch office. Both offices have Saturday morning hours and a 7:00 AM opening of the drive-up window on Fridays.

Easton Co-operative Bank operates in a competitive market. Local competitors include but are not limited to the following: North Easton Savings Bank, Stoughton Co-operative Bank, Brockton Credit Union as well as representatives of numerous regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

The FDIC last examined the bank for compliance with the Community Reinvestment Act on April 16, 1998. That examination resulted in a "Satisfactory" rating.

The examiners used PCI Services, Inc., CRA Wiz, to generate aggregate HMDA reports, when comparing Eastern Co-operative Bank to other HMDA reporters throughout its assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, local banks, credit unions and mortgage companies.

A community contact was conducted during the examination and provided relevant information on the assessment area. The contact was conducted in Easton and included a municipal department that deals with town planning.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank has defined its assessment area as the Town of Easton located in the Brockton Metropolitan Statistical Area (MSA). Easton is comprised of two middle and one upper-income census tracts. The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

The Town of Easton is a medium-sized suburban community covering approximately 28 square miles and is located approximately 24 miles south of Boston. The town is bordered by Sharon and Stoughton on the north; Brockton and West Bridgewater on the east; Raynham, Taunton, and Norton on the south and southwest; and Mansfield on the west. The town's location provides easy access to Boston and other job markets through the interstate highways and the Massachusetts Bay Transit Authority (MBTA) commuter rail system from the neighboring towns of Mansfield and Stoughton. In addition, a local bus line provides commuter service from a commuter lot located at a major intersection in Easton.

Easton is primarily residential in character. According to the Massachusetts Community Profiles prepared by the Commonwealth of Massachusetts, the single largest employer in the town is Stonehill College.

According to 1990 census data, there are 6,708 housing units within the assessment area, of which 75.3 percent are owner-occupied. Further, 85.5 percent of the housing units are one to four-family dwellings. The weighted average median value of a home within the assessment area was \$175,095 with 1967 being the average median year built. In addition, the assessment area's weighted average median family income was \$55,881.

The assessment area is located in the Brockton Metropolitan Statistical Area (MSA). The Department of Housing and Urban Development (HUD) Estimated Median Family Household Income (FHI) for the Brockton MSA for 1998 was \$53,900 and for 1999 was \$55,700.

A total of 5,177 families reside in the assessment area. The majority of these families are upper-income (54.4 percent), followed by middle-income (22.9 percent), moderate-income (12.0 percent) and low-income (10.7 percent).

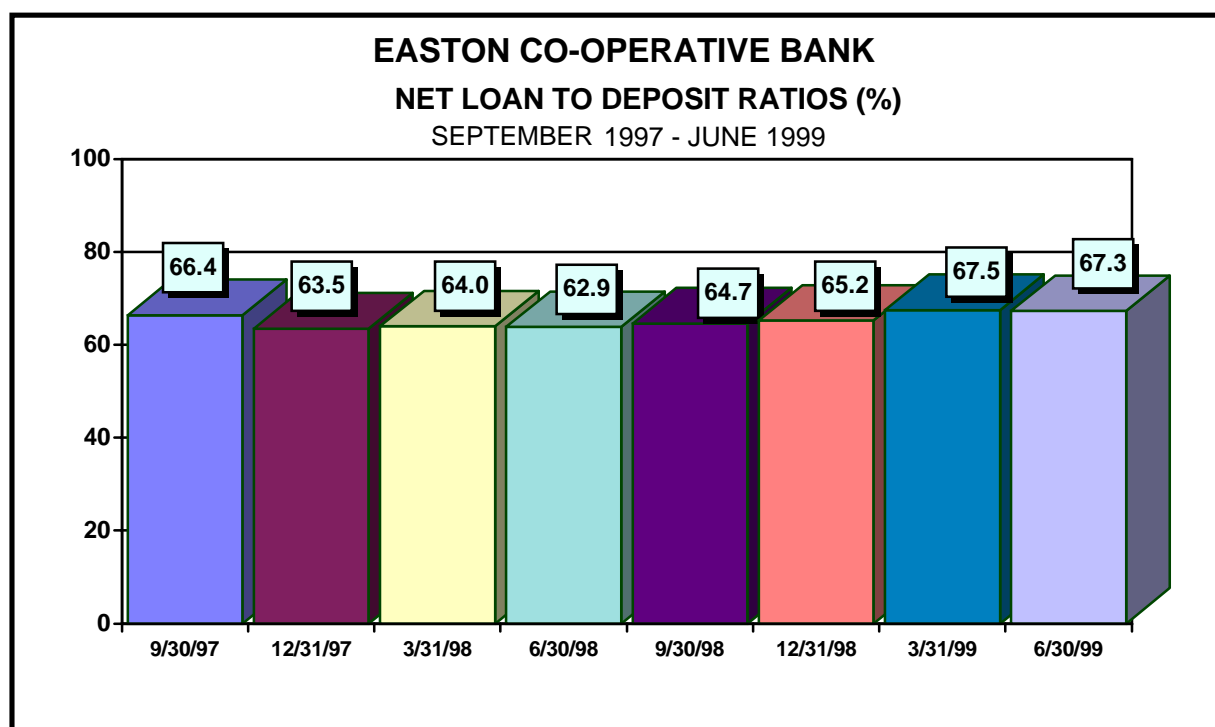
PERFORMANCE CRITERIA

1. NET LOAN TO DEPOSIT ANALYSIS

An analysis of Easton Co-operative Bank's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing FDIC quarterly call reports. This review included the quarters ending September 30, 1997, through June 30, 1999.

The institution's average loan to deposit ratio during the period under examination was determined to be 65.2%. The ratio has fluctuated slightly from a low of 62.9% on June 30, 1998 to a high of 67.5% on March 31, 1999. The average ratios in the previous two reports of examination conducted on March 11, 1997 and April 16, 1998 were 58.8% and 60.9%, respectively. In addition, it should be noted that the bank has a relationship with a correspondent lender that helps meet the credit needs of the community. This activity is not reflected in the net loan to deposit ratios. Further, this activity is an indication of the bank's continuing efforts to increase the proportion of loans to deposits.

The following graph illustrates the bank's net loan to deposit ratios.



The bank's net loans and leases as a percent of total deposits, as reported in the March 31, 1999, Uniform Bank Performance Report (UBPR), was 67.5 percent. The average ratio for all Massachusetts co-operative institutions with assets less than or equal to \$100 million for the same date was 75.9 percent. Although, the bank's ratio is lower than that of other institutions with similar size and type, it does not appear unreasonable.

Easton Co-operative Bank's net loan to deposit ratio appears to be in line with the ratios of six other area institutions. The ratios used were as of March 31, 1999. These percentages range from a low of 52.4 percent to a high of 75.8 percent.

Refer to the following table for details.

INSTITUTION	NET LOAN TO DEPOSIT RATIO
North Easton Savings	75.8%
Avon Co-operative Bank	74.0%
Sharon Co-operative Bank	69.2%
Easton Co-operative Bank	67.5%
Wrentham Co-operative Bank	59.3%
Stoughton Co-operative Bank	55.0%
Canton Co-operative Bank	52.4%

Based on the above information and Easton Co-operative Bank's capacity to lend, the strong competition from other institutions, the demographic and economic factors present, and the lending opportunities available in the assessment area, the bank's loan to deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Data regarding the bank's residential mortgage lending activity for 1998 and year-to-date July 30, 1999 was reviewed to determine the proportion of loans originated within the assessment area by number of originations. Mortgage lending data was obtained from the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA).

The table below indicates that the bank originated 113 residential mortgage loans during the examination period. A total of 72 loans or 63.7% were originated within the bank's assessment area.

RESIDENTIAL MORTGAGE LOANS BY NUMBER OF ORIGINATIONS

	1998		Year-to-Date 1999		TOTALS	
LOCATION	#	%	#	%	#	%
INSIDE ASSESSMENT AREA	49	69.0	23	54.8	72	63.7
OUTSIDE ASSESSMENT AREA	22	31.0	19	45.2	41	36.3
TOTALS	71	100.0	42	100.0	113	100.0

Source: Bank LAR 1998 and Year-to-Date July 30, 1999

It should be noted that during the examination period under review, the bank sold 44 loans totaling \$5,186,350 in 1998, and 12 loans totaling \$1,195,775 in 1999 to a secondary market mortgage investor. These loans do not appear on the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA) because the mortgage company made the credit decision.

The bank's data for 1998 and year-to-date July 30, 1999 was also reviewed for the total residential mortgage loan originations by dollar amount. The review revealed that the bank's dollar volume totaled \$13,599,000 during this time frame. Of this total, 63.4% were originated within the bank's assessment area.

The following table provides a breakdown of the dollar volume of residential mortgage loans originated within the bank's assessment area.

RESIDENTIAL MORTGAGE LOAN ORIGINATIONS BY DOLLAR AMOUNT

	1998		Year-to-Date 1999		TOTALS	
LOCATION	\$	%	\$	%	\$	%
INSIDE ASSESSMENT AREA	5,536	67.0	3,084	57.8	8,620	63.4
OUTSIDE ASSESSMENT AREA	2,725	33.0	2,254	42.2	4,979	36.6
TOTALS	8,261	100.0	5,338	100.0	13,599	100.0

Source: LAR Data 1998 and Year-to-Date July 30, 1999

During 1997, the bank ranked 8th with a 2.1 percent share of the market among the 198 HMDA-reportable lenders in its assessment area.

Based on the above information, it is evident that an adequate number and dollar amount of the bank's residential mortgage loan originations have been extended within its assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended, within the bank's assessment area, among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1998 and 1999, median family incomes of the Brockton Metropolitan Statistical Area (MSA). The median family incomes for the Brockton MSA are \$53,900 for 1998 and \$55,700 for 1999. Income figures were based on estimated data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

The following table provides a breakdown of the bank's residential mortgage loan originations by various income levels. Loans granted to low and moderate-income borrowers accounted for 13.9%, followed by loans to middle-income borrowers with 20.8%, and loans to upper-income borrowers with 63.9%

LOAN ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		Year-to-Date 1999		TOTAL	
	#	%	#	%	#	%
<50%	1	2.1	1	4.3	2	2.8
50% - 79%	6	12.2	2	8.7	8	11.1
80% - 119%	11	22.4	4	17.4	15	20.8
120% >	30	61.2	16	69.6	46	63.9
Income NA	1	2.1	0	0.0	1	1.4
TOTAL	49	100.0	23	100.0	72	100.0

Source: LAR data for 1998 and Year-to-Date July 30, 1999

The above distribution reflects a reasonable penetration among individuals of all income levels when compared to the composition of the assessment area. The bank ranked 15th with 1.4% of the market share of loans to low and moderate-income individuals when compared to the activity of all other HMDA-reporting lenders. The bank's assessment area contains 5,177 families of which 22.7% are low and moderate-income, 22.9% are middle-income, and 54.4% are upper-income.

The following table shows the number and dollar volume of loans originated by the bank to low-, moderate-, middle-, and upper-income borrowers in comparison to the activity of all other HMDA-reporting lenders for calendar year 1997.

Easton Co-operative Bank Compared to All Other HMDA-Reporting Lenders

Family Income Level	Number of Loans				Dollars in Loans (000's)			
	Easton Co-operative Bank		All Other Reporters		Easton Co-operative Bank		All Other Reporters	
	#	%	#	%	\$	%	\$	%
Low	1	5.3	22	2.5	61	2.4	889	0.8
Moderate	1	5.3	119	13.4	64	2.5	8,793	7.7
Middle	4	21.0	182	20.5	512	20.0	17,977	15.8
Upper	13	68.4	395	44.6	1,925	75.1	60,569	53.1
N/A	0	0.0	168	19.0	0	0.0	25,777	22.6
Total	19	100.0	886	100.0	2,562	100.0	114,005	100.0

Source: HMDA/LAR Data for the period 1/1/97 to 12/31/97.

The distribution of the bank's residential mortgage originations based on borrower income shows a reasonable dispersion among borrowers of low and moderate-income.

An analysis of aggregate data for 1997 indicates that the bank compares favorably to all other lenders in the assessment area for lending to borrowers of low-income. The analysis shows that 5.3% of the number and 2.4% of the dollar amount of the bank's total residential mortgages were granted to low-income borrowers compared to 2.5% and 0.8% for all other lenders. Conversely, the bank's lending to moderate-income borrowers does not compare as favorably with 5.3% of the number and 2.5% of the dollar amount compared to 13.4% and 7.7% for all other lenders.

Due to the price of housing within the assessment area, home ownership is difficult for many low and moderate-income individuals; however, the bank through its correspondent

relationship with Plymouth Mortgage Company has assisted individuals and made an effort to offer alternative lending options.

Based upon the demographic composition of the bank's assessment area, the above analysis reasonably reflects the assessment area. In addition, as indicated above the bank has shown a willingness to lend to applicants of all income levels including those of low and moderate-income levels. Therefore, the bank is considered to meet the standards for satisfactory performance in this category.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The purpose of reviewing the bank's geographic distribution of loans is to assess how well the bank is addressing the credit needs of the assessment area's low, moderate, middle and upper-income census tracts, with particular emphasis on low and moderate-income census tracts. Since Easton Co-operative Bank's assessment area consists exclusively of middle and upper-income census tracts, no further analysis was performed, as it would not be meaningful. However, the lending data for 1998 and year-to-date July 30, 1999 indicates a reasonable dispersion throughout the two middle and one upper-income census tracts.

5. REVIEW OF COMPLAINTS/FAIR LENDING

Easton Co-Operative Bank's record of implementing and developing fair lending policies and practices is rated "Satisfactory."

REVIEW OF COMPLAINTS

Easton Co-operative Bank has not received any complaints regarding its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

Detailed below is the bank's fair lending performance as it correlates to the guidelines established by the Division of Bank's Regulatory Bulletin 2.3-101. Easton Co-operative Bank has a formal written fair lending policy that addresses many of the aspects contained within the Bulletin.

Staff Training

Employees of the bank are trained in compliance, CRA, and fair lending rules and regulations periodically. The bank's CRA Officer and Assistant Treasurer/Loan Officer are responsible for all compliance training and conveying information to employees. Videos are utilized for all CRA training. In addition, all new employees are required to meet with the CRA Officer to review fair lending rules and regulations as part of the orientation process.

Staff Composition and Compensation

The bank has 13 full-time and 7 part-time employees. The bank employs 16 females and 4 males. In addition, one individual speaks Portuguese.

Easton Co-operative Bank employs four loan officers who are paid on a salary basis and are therefore encouraged to make loans of all dollar amounts.

Outreach

Easton Co-operative Bank's personnel are involved with a full range of individuals and groups representing civic, neighborhood, small business and community development groups. Meaningful and ongoing relationships are maintained with a variety of community organizations in order to determine the credit needs of the bank's assessment area. These organizations include, but are not limited to the Easton Chamber of Commerce, and the Olmstead Improvement Council.

Credit Products and Underwriting Standards

The bank evaluates both the products it offers and its product mix on an ongoing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the assessment area's credit needs. Loan underwriting standards are also reviewed to determine whether they are excluding low and moderate-income individuals from qualifying for a loan.

The bank offers two community first-time homebuyer programs through their correspondent, Plymouth Mortgage Company. These programs are designed for low and moderate-income borrowers and have income restrictions. Borrowers purchasing property within the Boston MSA, must have annual income of \$63,720 or less. Borrowers purchasing property within the Brockton MSA cannot exceed an annual income of \$47,900. The program allows for expanded qualifying ratios of 33/38% and a maximum loan-to-value ratio of 95% on a purchase and 90% on a rate and term refinance. The second first time homebuyers program allows for a maximum loan-to-value ratio as high as 97% as well as the same expanded underwriting ratios and maximum income restrictions. In 1998 the bank originated four first-time homebuyer loans totaling \$265,000; and year-to-date July 30, 1999 the bank originated one loan totaling \$77,000. In addition, the bank is currently offering reduced closing costs of \$699.00 for all mortgage loans. These costs normally range from \$1,500.00 to \$2,000.00.

Marketing

Easton Co-operative Bank advertises its products and services via newsletters, statement stuffers, lobby posters/signs, direct mail, internet, and print media such as The Boston Globe, The Enterprise (a Brockton based newspaper) on a weekly basis, and The Eastern Journal, a weekly newspaper mailed to approximately 6,000 households in Easton.

Credit Education

Easton Co-operative Bank has not offered any formal credit education programs for the period under review. However, it is the policy of management to see that every applicant requiring assistance be “walked through” the application process.

Counseling

Bank employees are available to assist customers with potential problems or questions concerning their credit situation. Borrowers experiencing credit problems may be offered the alternative to re-write their loans when feasible. In addition, the bank refers delinquent loan customers to the Consumer Credit Counseling Service of Eastern Massachusetts, Inc.

Second Review Practices

The “Denied Loan Second Look Policy” is incorporated within the bank’s lending policy. The President/CEO and the main office manager review all denied loans prior to sending an adverse action notice to the applicant. This second level of review demonstrates the institution’s commitment to fair lending practices as well as an internal control for nondiscriminatory actions.

Internal Control Procedures

Management performs an analysis of its residential lending at least quarterly. HMDA data is reviewed on a quarterly basis in conjunction with compliance review procedures. Bank management utilizes the services of an external auditor to review this data as part of a regular compliance audit.

Minority Application Flow

A review of residential home mortgage loan applications received during 1998 and year-to-date July 30, 1999 was conducted in order to determine the number of applications received from minorities. Of the 88 applications received, one or 1.1 percent of the total applications were from minority applicants. Minorities comprise 3.7 percent of the population within the assessment area.

An analysis was also performed comparing the bank’s application flow levels in 1997 to all other HMDA-reporting lenders in the bank’s assessment area. This analysis revealed that the bank received no applications from the minority population compared to 4.1 percent for all other HMDA reporters.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EASTON CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **August 6, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.